

**TO:** Mayor and Members of City Council

January 25, 2017

**FROM:** Harry Black, City Manager

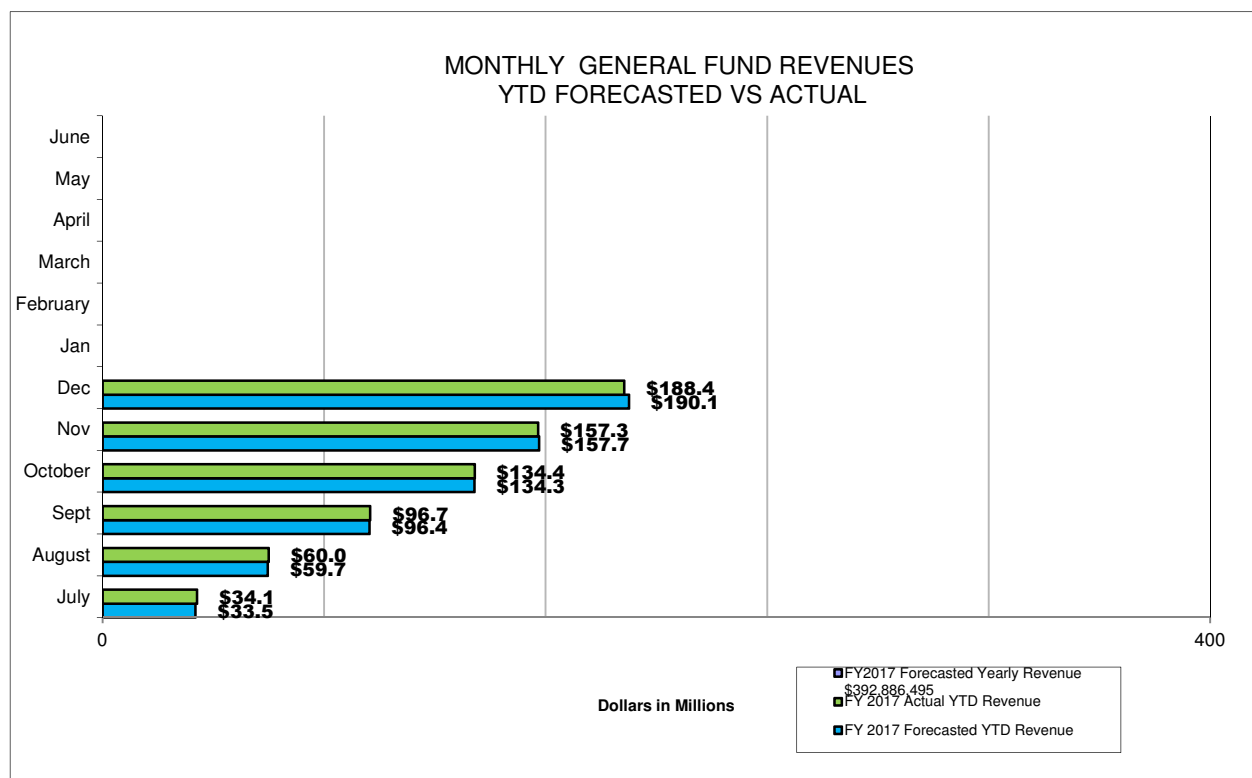
**SUBJECT:** Department of Finance Reports for the Month Ended December 31, 2016

**December 2016  
MONTHLY FINANCIAL REPORTS**

The following report provides an update on the City of Cincinnati's financial condition as of the month ending December 31, 2016. Variances are based on current year estimates and not prior year activity.

A more detailed explanation of revenues and expenditures is attached for review, including reports comparing current year actual revenue vs. forecasted revenue and prior year actual revenue vs. current year actual revenue. Both of those reports are presented on a monthly and year to date basis.

The chart below portrays the performance of actual revenue collected against the forecasted revenue collected through December 31, 2016, and shows that actual revenues of \$188.4 million are below forecasted revenues of \$190.1 million by \$1.7 million.



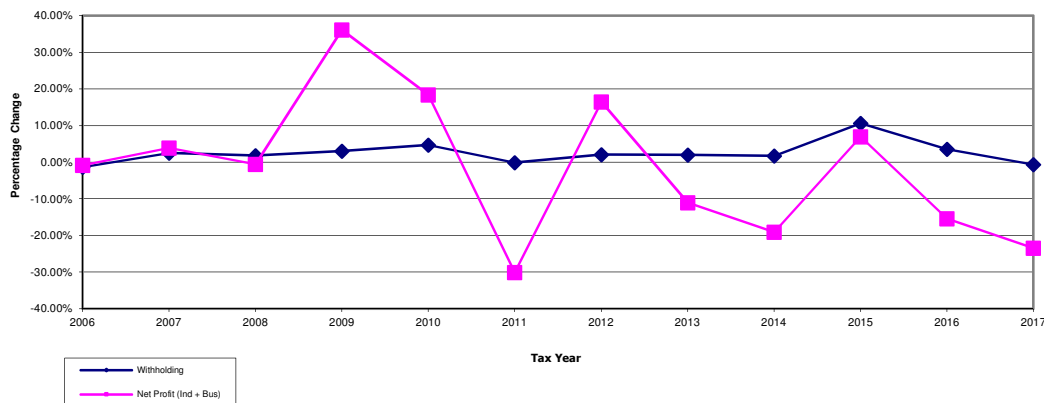
The major revenue components of the General Fund are listed in the table below. This table highlights the year to date variance (favorable and unfavorable) in General Fund revenue collections as compared to forecasted revenue collections. Each major category that differs significantly from forecasted collections will be discussed in further detail.

<b>GENERAL FUND REVENUE SOURCES</b>		
	<b>FAVORABLE VARIANCE</b>	<b>(UNFAVORABLE) VARIANCE</b>
General Property	\$ 183,390	
City Income		\$ (4,247,793)
Admissions Taxes	\$ 101,886	
Licenses & Permits	\$ 575,102	
Fines, Forfeitures, & Penalties		\$ (180,404)
Investment Income	\$ 648,651	
Local Government		\$ (145,622)
Police	\$ 515,454	
Fire	\$ 283,062	
Casino		\$ (141,065)
Parking Meter	\$ 30	
Buildings and Inspections	\$ 8,216	
Other	\$ 741,623	
	<hr/>	<hr/>
	\$ 3,057,414	\$ (4,714,885)
Difference	\$ (1,657,470)	

**General Fund (unfavorable variance) is \$1.7 million below** the amount forecasted thru December in the FY2017 budget. This represents two full quarters or half of the fiscal year. What follows is an explanation of significant variances of individual General Fund revenue components.

**Income Taxes (unfavorable variance) are \$4.3 million** below the current fiscal year forecast. This category continues to be worrisome with the variance climbing to \$4.3 million from \$2.6 million in November. Employer withholdings are ahead of last year's collections by 2.19%. Overall income tax is trending slightly behind last year by 0.60% primarily due to business net profits being down 23.4% over the prior year. Employer withholdings account for 91% of the income tax. We have imbedded a growth factor of 2.68% for this fiscal year. When comparing actual employer withholdings versus forecasted we are behind \$722K through December. We anticipate providing a full update along with the UC study no later than mid to late February 2017. There is a high probability that the study will recommend a lower income tax estimate for FY2017, this lower figure will become the base year. The rate of growth for the years FY2018 and FY2019 may also be revised downward.

### Net Profit vs Withholding



**License & Permits (favorable variance) is up \$575K.** We continued to see stronger than projected revenues for licenses and permits in December and continue to anticipate this category will perform as projected throughout the remainder of the fiscal year. We will be analyzing this trend in order to make recommendations for FY2018 revenue projections.

**Fire (favorable variance) is up \$283K.** This category is trending in a positive direction. We continue to anticipate EMS revenue to be on target for the fiscal year. FY 2018 revenue projections are underway and this positive variance will be considered in determining the FY2018 revenue target.

**Investment Income (favorable variance) is up \$649K.** The positive variance is the result of timing of interest payments due to securities being called prior to maturity. We are currently evaluating whether this positive trend will continue through the end of the fiscal year. The City Treasurer is currently developing her projection for the remainder of FY 2017 as well as a projection for FY2018.

**Casino Taxes (unfavorable variance) is down \$141K.** Fiscal Year 2017's estimates were revised down to \$8.0 million from our \$8.6 million in FY2016. Payments are received quarterly from the State of Ohio. For the first quarterly payment we are on target for this fiscal year. We will continue to monitor this industry and report any new developments as warranted.

**Police (favorable variance) is up \$515K.** This variance is due to reimbursements for prior year expenses. (We continue to see this variance drop as reimbursements are processed.)

## **Restricted Funds:**

**Water Works Fund (favorable variance) is up \$3.4 million.** Water pumpage is up nearly 5% over last year at this time. As a result, revenues are 4.4% over projections. When revenues are compared to the prior year there is a 7.2% increase for this year.

**Stormwater Fund (unfavorable variance) is down \$53K.** We reported in October that revenues were lagging in part due to billing cycles being different from our estimates. We attempted to match up the cycle with our estimates. We do not anticipate this missing its projections at the end of the fiscal year.

**Duke Energy Convention Center (favorable variance) is up \$716K.** Revenues are over target by 20.4% this year however when compared to last year revenues are off 20.2%. We anticipate the convention center to meet projections at the end of the fiscal year.

**Municipal Golf (favorable variance) is up \$344K.** Revenues are above projections by 11%. We will continue to follow this category as the golf season begins in the spring. When compared to last year at this point the revenues remain off by 25%.

**Health Services (unfavorable variance) is down \$698K.** The timing of deposits continues to impact the variance. In January in conjunction with the review of revenue estimates we will work on better projecting both the timing and amount of revenues for FY 2018. We anticipate that the Health fund will meet the projections.

Submitted herewith are the following Department of Finance reports:

1. Comparative Statement of Revenue and Expenditures (Actual, Forecast and Prior Year) as of December 31, 2016.
2. Graph as of December 31, 2016 presenting the General Fund's Revenue, Expenditures and Encumbrances.
3. November 30, 2016 monthly audit report of the accounts of the City Treasurer and the City Treasurer's Monthly Cash Reconciliation Report of November 30, 2016.
4. Statement of Balances Analysis as of December 31, 2016.
5. Statement of Balances in the various funds as of December 31, 2016.

By approval of this report, City Council appropriates the revenues received in the various restricted funds on the attached Statement of Balances and as stated in greater detail on the records maintained by the Department of Finance, Division of Accounts & Audits. Such revenues are to be expended in accordance with the purposes for which the funds were established.

c: Reginald Zeno, Director of Finance